GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5247
ANSWERED ON:29.04.2005
SERVICE AREA RESTRICTION ON LOAN TO FARMERS
Jagannath Dr. M.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has recently revised/released the service area restrictions on loans to farmers, in Andhra Pradesh;

(b) if so, the details thereof;

(c) whether certain banks have reluctance to implement the new policy; and

(d) if so, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PAUNIMANICKAM):

(a) and (b) The scheme of Service Area Approach (SAA) has been reviewed by Reserve Bank of India (RBI) and it has been decided to dispense with the restrictive provisions of the scheme as announced in the mid term review of annual policy statement for the year 2004-05, while retaining the positive features of the SAA such as credit planning and monitoring of the credit purveyance. The revised guidelines have been issued by RBI on 8th December, 2004 to all banks. According to the revised guidelines, allocation of villages among the rural and semi-urban branches of banks shall not be applicable for lending, except under Government sponsored schemes. While the Commercial Banks and Regional Rural Banks (RRBs) will be free to lend in any rural and semi-urban area, the borrowers will also have the choice of approaching any branch for their credit requirements. Consequently, the requirement of obtaining `no due certificate` from the service area branch for lending by non-service area branch would also stand dispensed with. However, banks at their discretion may take steps considered to be necessary, to avoid multiple financing.

(c) and (d) No such instance has come to the notice of the Government.